



Agricultural Marketing Resource Center  
Value-added Agriculture Profile  
Iowa State University

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## **Lesson 3: Direct Marketing of Agriculture Produce**

*Funding was provided by the Agricultural Marketing Resource Center.*

## **OBJECTIVES:**

After completion of this unit, the students will be able to:

1. Explain the advantages and disadvantages of direct marketing.
2. Describe the variations of direct marketing that can be used to best reach a group of customers.
3. Describe the steps involved in conducting a market evaluation for a product a producer wants to sell directly to a consumer.
4. Identify the fundamental steps in developing a marketing plan.
5. Define product differentiation and explain a producer's motivation for product differentiation of value-added agriculture products.

## **MATERIALS/REFERENCES NEEDED:**

Direct Marketing. Katherine Adam, Radhika Balasubrahmanyam, and Holly Born. ATTRA Publication #IP113. <http://attra.org/attra-pub/PDF/directmkt.pdf>.

## **VISUAL MASTERS (VM):**

See MS PowerPoints: V-A Lesson 03.ppt and VM Lesson 3.pptx.

## **INTEREST APPROACH:**

Ask students: Do you own a car or truck? How did you buy your vehicle? Did you buy it directly from the owner or from a car dealer? If you are the seller of a vehicle, what are the advantages of selling your vehicle directly to an individual? What are the disadvantages? Why do people trade in their vehicle instead of selling it directly? If possible, what would be the advantages of buying a brand new vehicle directly from a car manufacturer and not from a local dealership?

Connect the similarities of the situations above to that of direct marketing of agricultural products.

**QUESTIONS:****1. Why Direct Marketing?**

**Answer:** Consumers tired of tasteless supermarket produce and factory-raised meat want fresh food with flavor, as well as more control over their food supply, and are willing to pay a premium price for it.

Direct marketing can give the farmer a larger share of the food dollar and possibly a higher return on each unit sold, offset to some extent by loss of economies of scale. For some farmers, adding value or marketing some minimally processed farm products directly to the consumer is a way of enhancing financial viability. Farmers who are unable to compete in or are locked out of distant markets can build a thriving local business.

*Provide some examples of direct marketing in your community, county or state to add value to agricultural commodities.*

**2. What are the qualities of a successful marketer?**

**Answer:**

- Not afraid to take risks
- Takes pride in the product and is not shy about saying so
- Willing to plan, research and experiment
- Flexible
- Independent
- Creative
- Thrifty

From *Market What You Grow* by Ralph J. Hills, Jr.

**3. What does good marketing require?**

**Answer:** Marketing is much more than simply knowing how to dispose of agricultural commodities. The marketer must have a clear understanding of ever-changing consumer wants and needs. Producers have traditionally taken whatever price they could get while wholesale and retail distribution networks undertook the business of marketing.

Marketing begins well before the first seed is planted. For farmers working outside the conventional system, the importance of marketing cannot be over-emphasized. Consumer-focused marketing is the single most important factor that determines the success of an enterprise. Marketing is not just about selling. It requires a clear and astute understanding of what consumers want and the ability to deliver it to them through the most appropriate channels for a profit. It includes the planning, pricing, promotion and distribution of products and services for consumers, both present and potential. According to specialty vegetable grower Don Anderson, "Knowing what's happening in the marketplace is the difference between the farmer who makes it and the farmer who doesn't make it."<sup>(7)</sup>

**4. What is Enterprise Evaluation? How does that relate to direct marketing of agricultural products? What questions should be answered by an enterprise evaluation?**

**Answer:** A good marketing strategy begins with making sure the enterprise is right for you and is feasible. This will require a review and evaluation of your present situation, goals, possible enterprises, physical, financial and marketing resources, and market potential. The evaluation should help you answer some key questions, chiefly: Is this really what you want to do? Is there a market for the product? Do you have the necessary skills to do it? Are you going to develop the market? Or will you raise a crop for which there is a pre-existing market? Will it be profitable? Can you expand in the foreseeable future? A sample feasibility study for an agricultural enterprise may be found on the University of Georgia Extension Web site at: <http://pubs.caes.uga.edu/caespubs/pubs/pdf/B1066.pdf>. (PDF / 177 K) (9)

**5. What kinds of activities are conducted during an Enterprise Evaluation and what other questions should be answered in order to go forward with your direct marketing plan?**

**Answer:**

- Start by listing your business and personal goals. Prioritize them.
- Is this going to be a full-time enterprise?
- Is your family involved and supportive?
- Inventory physical resources like land, soil, machinery, water, buildings, livestock etc. Define constraints.
- Is family and/or off-farm labor available?
- Is your spouse involved in the planning? A spouse's knowledge of medicinal herbs or cooking could spin off into an additional on-farm enterprise.
- Do you have access to financial resources in the form of savings, credit or investment by family or friends?
- What are some of the crops that will grow well in your area and will fetch the price you need?
- What are the marketing resources in your region? Check out the farmers' markets and the retail stores. Is a roadside stand feasible? Talk to others who have one. Are there restaurants, grocery stores and supermarkets willing to buy locally raised produce or meat?
- Who are your potential customers? Would they like to buy direct-marketed products or do they prefer buying at mass retail outlets where price is the main consideration? Is there scope in your business plan for consumer education? Have you considered the potential for entertainment farming and tourism?
- What information and resources do you need to help you along the way? How can you best access such resources?

**6. How is market research conducted to ensure someone's direct marketing idea is feasible?**

**Answer:**

Get all the information you can about sources, marketing, production, processing, packaging and sales. This will require a good bit of systematic research. Check the libraries in your area. Read all the USDA and Extension publications you can lay your hands on as well as trade journals and periodicals, books on market gardening and seed catalogs.

Talk to your Extension agent, visit the local stores (gourmet and otherwise) and supermarkets to see what is selling, and why one product appears more appealing than another. Talk to customers, local stores, food clubs, specialty distributors, ethnic stores, restaurants and other prospective outlets in your region. What do they want? Is there an unfilled niche? With your production, labor and marketing resources, will you be able to fill this niche?

Find out what your prospective competitors are doing. Look for ways to improve on what they are offering. Useful exercises for defining the competition and customer base can be found in Geraldine Larkin's book *12 Simple Steps to a Winning Market Plan* (see [Resources](#)). For use in researching the market for new farm-based enterprises, Judy Green of Cornell University has compiled a list of agricultural alternatives. (see the ATTRA Publication on [Evaluating a Rural Enterprise](#)) Information on doing your own market research is also available from ATTRA.

***What kinds of information should be collected when conducting marketing research for your idea?***

Information from market research helps to formulate a market strategy and project profitability. Two levels of information may be obtained:

**General:**

Food shopping habits;

What are some trends in lifestyles? convenience? Emphasis on family time and homecooked meals?

What is the ethnic and racial makeup of population, what are its food preferences?

What are the trends in food safety, health and nutrition?

What are the marketing trends? Growth in organics? An emphasis on freshness?

**Specific:**

Who are the buyers? What are their ages, incomes and lifestyles?

What are their wants?

Size of the market, number of buyers;

Number of competitors; are they successful? What are their weaknesses?

What price can you expect?

How much of the market can you expect to hold?

What are packaging and labeling requirements?

What are the barriers to market penetration for the products you have in mind?

**7. What is a marketing plan?**

**Answer:**

Marketing is an essential element of a small agricultural enterprise. The marketing environment will ultimately exert a strong influence on the nature of the business. The crop grown will be determined less by the farmer's personal tastes than by what the market will absorb at a price the farmer is willing to take. A good market plan broadly aims to define the consumer, the products or services they want and the most effective promotion and advertising strategies for reaching those consumers. (13) It clarifies objectives, appropriate actions, projected income, pricing structures, costs and potential profitability. A step-by-step business planning tutorial for a direct marketing enterprise is available at [www.agf.gov.bc.ca/busmgmt/bus\\_guides/direct\\_guide.htm](http://www.agf.gov.bc.ca/busmgmt/bus_guides/direct_guide.htm).

## 8. What are the elements of a marketing plan?

### Answer:

Elements of a marketing plan are: (14)

- Marketing situation—a summary of your present situation, what you are currently selling and how, who your customers are, what their needs are, your competition, your own strengths and weaknesses, how you are promoting your product, what the current food and marketing trends are, etc.
- Marketing objectives—a summary of your short and long term goals, product diversification, additional market segments (alternative outlets) to tap. Objectives should be realistic and measurable—for example, you would like to increase sales by 10 percent within the next year.
- Marketing strategies—ways to achieve your goals, what you will produce, how you will promote and advertise the new product, the channels of sale, how you plan to beat your competition.
- Budgets—include estimated costs and return based on sales, and strategies for monitoring and curtailing costs.
- Action plan—immediate steps (for example, look in the yellow pages for graphic artists to design logo, shortlist names of newspapers for a press release, assign person to deliver products to market, etc.)
- Evaluation—a summary of progress on marketing objectives. The frequency of evaluation depends on the plan and could be each month, every six months or annually.
- Objectives and strategies are a dynamic part of the planning process and change depending on the market situation and competition.

## 9. What is Niche Marketing?

### Answer:

A target group whose market responses are similar to each other but different from other groups. What makes a niche market worthwhile for the farmer?

- There must be accessible information about the group.
- The group must be reachable through clearly identified information channels.
- The group must be big enough and sufficiently profitable to make it worth targeting.
- The nature of a niche market is that it tends to disappear after awhile.

## 10. What is product differentiation? Why make a single product into so many different varieties?

### Answer:

Everyday agricultural examples of product differentiation are microwave popcorn and various fruit juices. Retailers have known for years that they can increase their sales of their fundamental product by changing the taste, texture, fat content, vitamin content etc. Just count how many different types of microwave popcorn are on the shelf in your local grocer store. Another example is cream cheese: there is regular, 1/3<sup>rd</sup> less fat, fat free, cream cheese with chives, cream cheese with strawberries, and cream cheese with pieces of ham. Identify the differentiation that has occurred in the fruit juice market over the past ten years.

Other ways to differentiate your product are by producing it earlier in the season, marketing it as low-spray (see box above) or organic or naturally raised, and by adding value to it in some other way. Cut flowers arranged into bouquets, garlic turned into decorative braids or wreaths, prewashed and bagged vegetables, bunched fresh herbs—these are a few simple ways to add value to products.

## **CONCLUSION**

Value-Added Agriculture can involve all the steps between the producer and the consumer. Value-Added Agriculture gives the seller an opportunity to be a “price maker” and not a “price taker.” Ask students to look for Value-Added Direct Marketing business examples in their community. If there are none, direct your students to find them in your state or ask them to look for possibilities in your community or county.